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INTELLIGENCE BRIEF

SOVIET MERCHANT FLEET
EXPANDING WINTER SHIPPING SERVICE
INTO MONTREAL

DIRECTORATE OF INTELLIGENCE

Office of Research and Reports

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SOVIET MERCHANT FLEET
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INTO MONTREAL*

The USSR may reap substantial benefits from the recent opening of Montreal as a year-round seaport because it is one of the few nations in the world with ships in its merchant fleet that are reinforced for navigation through ice. Winter trade out of Montreal offers hard currency earnings to Soviet ships at a time of the year when the USSR has ship tonnage to spare. [Three Soviet ships called at Montreal during the 1964/65 winter season, and at least 14 are expected during the 1965/66 season.] If experience shows that winter operations into Montreal are consistently feasible, the USSR has a sufficient number of ships with ice reinforcement to dominate the trade.

1. Current Status of Montreal as a Year-round Port

Until the 1963/64 winter season, Montreal, the leading seaport in Canada, was closed by ice for an average of three to four months of each year, usually between mid-December and mid-April. During the winter, many Canadian foreign trade cargoes that would otherwise move through Montreal are diverted to either St. Johns, New Brunswick, or Halifax, Nova Scotia. These ports are understandably jealous of their winter business and have thus far been able to exert sufficient influence on the Canadian Parliament to prevent the use of Canadian government ice-breakers to maintain a channel into Montreal during the winter months. During the 1963/64 winter season, however, the Lauritzen Line, a Danish steamship company, inaugurated a winter cargo line between Western Europe and Montreal using ships with ice reinforcement and thereby reduced the period of winter closure in Montreal to eleven days.

2. Soviet Participation in Winter Shipping to Montreal

In 1964 the USSR decided to open a winter liner service between Western Europe and Montreal. This decision marked an important change in Soviet shipping policy. Previously the USSR had established cargo lines only on routes where there were substantial volumes of Soviet foreign trade cargoes to move. Most of the cargoes moving

* The estimates and conclusions in this brief represent the best judgment of this Office as of 24 November 1965.

on this new line will be non-Soviet. Because it is a liner service, most of the cargoes to be carried will be general rather than bulk. There are excellent reasons for the Soviet decision to open this line.

a. Economic Motivation

As a result of its wheat purchases from Canada, the USSR carries a huge deficit in its balance of payments with Canada, which imports almost nothing from the USSR. The establishment of a successful liner service into Montreal during the winter months should contribute in a small way to a reduction in this trade deficit. The line appears to have a good business potential. It is economically advantageous for Canadian shippers to use Montreal rather than St. Johns or Halifax when they can, and there is a good balance between westbound and eastbound cargoes on the route between Western Europe and Montreal.

b. Seasonal Availability of Soviet Ships

The expansion of the Soviet merchant fleet during recent years has attracted worldwide attention. One result of this expansion is that during the 1964/65 winter season the USSR had a seasonal surplus of dry cargo tonnage for the first time in its history. Many of these ships were made available to Free World shippers on a time charter basis; three were assigned to the winter line into Montreal. Whether hired but to foreign charterers or put into liner service, surplus ships such as these can play an important role as earners of foreign exchange for the Soviet economy.

c. A Unique Soviet Advantage

The Soviet merchant fleet conducts extensive operations in the ice-filled waters of the Northern Sea Route each summer and maintains shipping services into many frozen northern ports during the winter with the assistance of icebreakers. For this reason the Soviet dry cargo fleet includes more than 100 ships that are reinforced for navigation through ice. Because the Soviet merchant fleet is one of the few in the world that include such ships, the USSR has a distinct advantage over most Free World steamship companies in competing for winter cargoes out of Montreal.

3. Prospects for the 1965/66 Winter Season

Port officials in Montreal expect more than 50 calls by ships during the 1965/66 winter season. Both the Danish Lauritzen Line and the Soviet Northern Steamship Company will play major roles. Canadian Pacific, Finn Lines, Ltd., and Canada Steamship Lines, Ltd., will also participate, using ice-reinforced ships. The Cunard Steamship Company has plans to take part in this winter movement eventually but has yet to acquire or charter ice-reinforced ships.

The USSR has announced that 14 of its ships will participate in the St. Lawrence winter service during the 1965/66 season, but the number of calls each will make is uncertain. The ports in Western Europe to be served by these ships are Hamburg, Bremen, Rotterdam, Antwerp, and Le Havre. The St. Lawrence Ports to be served are Montreal, Three Rivers, and Quebec. The ships will include 7,000-DWT icebreaker cargo ships of the Amguema and Lena classes and 5,000-DWT dry cargo ships of the Dnepro-GES and Povenets classes.

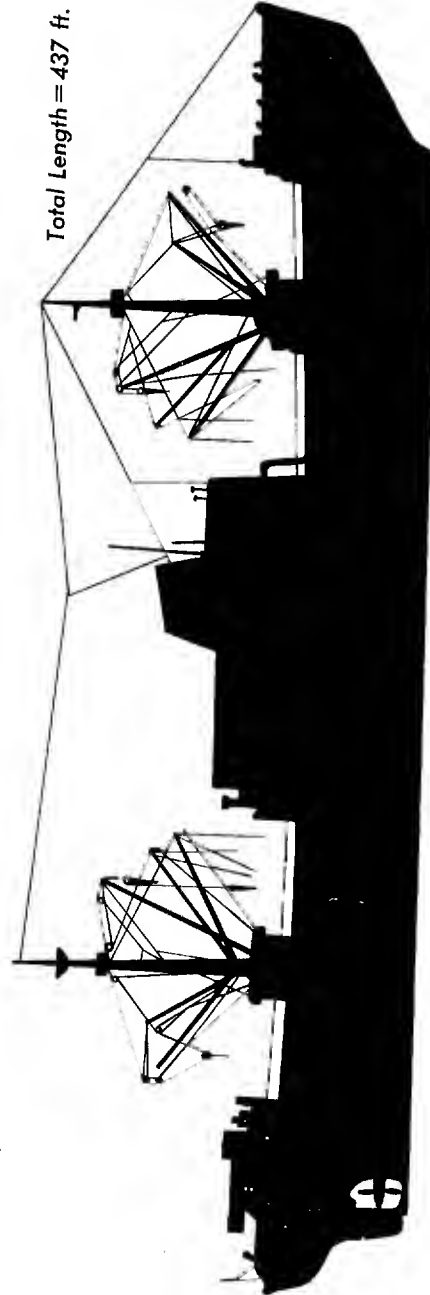
Ships in the Amguema and Lena classes belong to the highest category of ice-reinforced ships in the Soviet fleet (see the chart). Such ships are designed from the keel up for ice navigation and should be able to handle all ice conditions encountered in the St. Lawrence without assistance. Ships in the Dnepro-GES and Povenets classes belong to the second highest category of ice-reinforced ships, which normally would have difficulty in handling extreme ice conditions on the St. Lawrence without assistance from either an icebreaker or an icebreaker cargo ship. Most ships in the second highest ice-reinforcement category -- which numbers about 100 -- are conventional dry cargo ships that were built with special features for navigation through ice. These features include icebreaker bows as well as supplemental framing and hull plating.

During the 1964/65 winter season the departure of a Soviet dry cargo ship in this category was delayed at Montreal for three weeks as the result of difficult ice conditions. Soviet ships scheduled to call at Montreal during the 1965/66 winter season will arrive and depart in pairs to avoid a repetition of this occurrence. Each of the two pairs of ships scheduled for calls in January includes one ship in the highest ice-reinforcement category and one in the second highest category. The pairs scheduled thus far for arrival in December and February include only ships in the second highest category. If Montreal officials fail to overcome the political obstacles to the use of

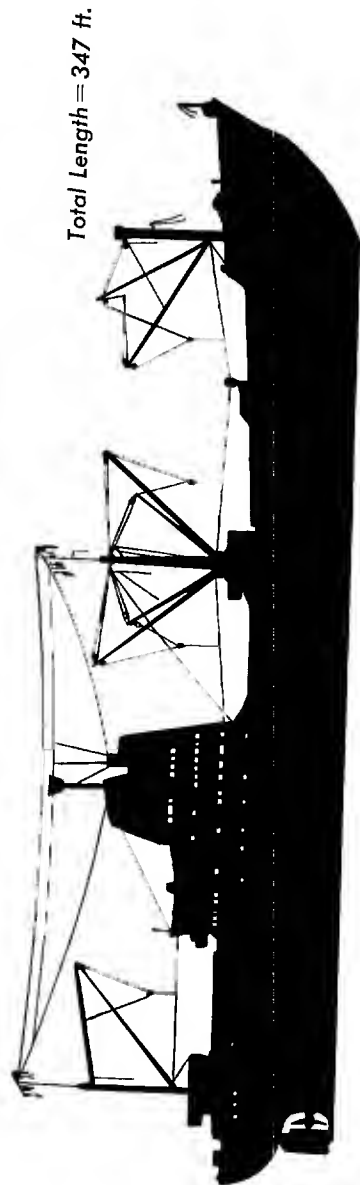
icebreakers in facilitating winter navigation into Montreal and if Soviet attempts to use ships in the second highest ice-reinforcement category continue to fail, the USSR may be restricted in its future winter operations in the St. Lawrence to the use of ships in the highest category of ice-reinforcement and accompanying ships in the second highest category. There are, however, at least eight Soviet ships in the highest category, which, if they are available, could assure Soviet domination of the Montreal winter trade.

Typical Soviet Ships in the Highest (A) and Second Highest (B) Categories of Ice Reinforcement

(A) AMGUEMA-Class Icebreaker Cargo Ship



(B) POVENETS-Class Dry Cargo Ship



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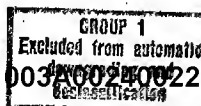
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